

North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001

IMPORTANT NOTICE: Sales and Use Tax Semimonthly Payers

The 2006 General Assembly amended G.S. 105-164.16, effective October 1, 2007, to provide that a taxpayer who is consistently liable for at least \$10,000.00 a month in State and local sales and use taxes must make a monthly prepayment of the next month's tax liability. The prepayment is due on the date a monthly return is due. Therefore, beginning with the return for the month of October 2007, a taxpayer currently paying on a semimonthly basis will be required to include a prepayment for the next period when filing the monthly return and remitting the tax due.

The prepayment must equal at least sixty-five percent (65%) of any of the following: (1) amount of tax due for the current month, (2) the amount of tax due for the same month in the preceding year, or (3) the average monthly amount of tax due in the preceding calendar year. A taxpayer will not be subject to interest or penalties for the underpayment of a prepayment if one of the above three calculation methods is used. In addition, a taxpayer is not required to utilize the same method for calculating the amount of the prepayment each month.

During the month of October 2007 a taxpayer currently paying on a semimonthly basis will be transitioning to this new prepayment procedure. There will be no semimonthly payment covering the period from October 1st through the 15th that would have been due on October 25th. There will be no semimonthly payment covering the period from October 16th through the 31st that would have been due on November 10th. The October 2007 return and payment that is due November 20th will include all of October's liability plus the prepayment for November. For the November return that is due December 20th, the prepayment shown on last month's return (October) will be deducted and a prepayment for the next period (December) will be included.

For a taxpayer who pays on-line via the Department's website at www.dornnc.com, the E-500 Sales and Use Online Filing and Payments system requires two separate payments, one payment for the current period and one payment for the prepayment for the next period. Both payments can be made with one login to the E-File system.

For a taxpayer who pays electronically by ACH Credit or ACH Debit (Touchtone, Voice, or PC Software), two payment transactions are required, one payment for the current period and a separate payment for the prepayment for the next period. For example, an October return due on November 20th will have a November prepayment. The prepayment will require a payment transaction denoting the November period. The balance from the October return will require another payment transaction denoting the October period.

Questions about this notice can be directed to the Taxpayer Assistance Division at telephone number 1-877-252-3052 (toll-free) or in writing to the Taxpayer Assistance Division, North Carolina Department of Revenue, P. O. Box 25000, Raleigh, N.C. 27640-0001. Specific questions about electronic filing and/or payment should be directed to the E-Services Help Desk at telephone number 1-877-308-9103 (toll-free), Option 1. This Help Desk is available Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m. Eastern Standard Time, excluding holidays.